

PERSONNEL RULES & REGULATIONS MANUAL

SECTION 900 FRINGE BENEFITS

Section 901. Insurance Programs

901.1 Introduction

The City provides classified employees and unclassified management employees with certain group insurance programs and offers them the opportunity to voluntarily elect participation in other optional insurance programs. These programs include a wide range of plans including health, dental, long-term care, life, and other specialized insurance plans. The City strives to remain competitive in its benefit programs and to maintain a reasonable level of cost sharing with employees. Payments for the employee's share of insurance premiums of both provided coverage and elected optional programs are made through payroll deduction during each payroll period.

901.2 Medical & Dental Insurance

All classified employees and unclassified management employees are eligible for medical and dental insurance through the City's group insurance providers. Employees may elect to enroll in either single, two person (the employee + one dependent), or family coverage under one of the options offered. The City retains the right to review the insurance policies on an annual basis and change providers, change the type of plans, or institute other cost saving measures. Any changes to medical insurance coverage, premiums, etc., are effective at the beginning of the fiscal year.

The City's current medical insurance provider is United Health Care. Employees may choose coverage under the HMO Plan or the PPO Plan. Monthly premiums for the City's group medical insurance plans are a shared responsibility; the City pays eighty-five (85) percent of the lowest monthly premium in each tier (single, two-person, or family) and the employee pays the remaining fifteen (15) percent. An employee that selects coverage under another more expensive plan must pay the additional premium cost.

The City's current dental insurance provider is Assurant Employee Benefits, an indemnity plan with a dental maintenance organization (DMO) option. Employees may select a dentist of their choice, or using the DMO option, may receive increased savings for services provided if they select a participating dentist. Monthly premiums for the City's group dental insurance plans are a shared responsibility; the City pays eighty-five (85) of the lowest monthly premium in each tier (single, two-person, or family) and the employee pays the remaining (15) percent.

Employee paid medical and dental insurance premiums are paid with pre-tax dollars, thereby reducing the employee's taxable income and increasing the employee's take-home pay.

Information outlining the medical and dental benefit plan options is provided to eligible employees at the time of employment and prior to the City's Open Enrollment period (see below).

a. New Enrollments

New employees have up to 30 calendar days to enroll in medical and/or dental insurance coverage. Coverage is effective on the employee's first day of employment. If the employee's coverage begins prior to the 15th of the month, he/she will be responsible for paying his/her portion of the premium for that month (through payroll deduction). If the employee's coverage begins on or after the 15th of the month, the employee will begin paying his/her portion of the premium in the first paycheck of the next month.

An employee who does not enroll in the City's medical insurance within thirty 30 calendar days of his/her hire date, or who waives medical coverage and does not provide proof of other current medical

insurance coverage, will automatically be enrolled in employee only single coverage in the lowest cost health care plan. An employee who does not enroll in the City's dental insurance within 30 calendar days of his/her hire date will not be able to enroll until the next open enrollment period (July 1) unless the employee has a qualified change in status.

b. **Reenrollment/Open Enrollment**

Employees who do not initially enroll in a group medical and/or dental program when they begin employment with the City, or desire to transfer from one plan to another (for example, from the HMO to the PPO in the medical insurance plan) may do so during the annual open enrollment period. Open enrollment is conducted during the month of May each year, and all changes, transfers, etc., become effective at the beginning of the fiscal year.

c. **Change Due to Qualifying Event**

An employee and/or his/her dependent(s) may be able to enroll or disenroll in a medical or dental plan during the plan year if they experience a "qualifying event" as defined in the plan documents:

1. Birth/adoption of a child
2. Marriage
3. Termination of employment of employee's spouse/domestic partner
4. Divorce
5. Death of spouse/domestic partner or other dependent
6. Dependent child is no longer an eligible student
7. Employee becomes eligible for coverage under spouse's/domestic partner's health/dental care (i.e., new employment, spouse's/domestic partner's employer's open enrollment period, etc.).

A change due to a qualifying event must be made within 30 days of the qualifying event (i.e., the date of the marriage or birth of the child, the effective date of the adoption or divorce, etc.). Appropriate documentation of the qualifying event will be required. If the change is not made within 30 days, the employee must wait until the next annual open enrollment period to change medical and/or dental coverage. It is the responsibility of participating employees with medical and/or dental coverage to keep the Human Resources Department informed of all current dependent member information.

d. **Medicare Coverage**

An employee and/or his/her spouse must enroll in Medicare coverage as soon as they reach the age of 65 and become eligible for Medicare Part A and/or Part B coverage. (The employee and/or spouse must provide proof of Medicare coverage to the Human Resources Department.) At that time, Medicare Part A and Part B become the primary medical insurer and the City's becomes the supplemental secondary medical insurer. The City may pay or contribute to the cost of the supplemental secondary insurance, but will not pay any of the Medicare premium.

e. **Contribution in Lieu of Medical/Dental Insurance**

Employees who are covered by another medical and/or dental plan (outside of the City's coverage) must show proof of that coverage. Those employees may elect not to participate in the medical and/or dental plans offered by the City and may request that the City contribute a portion of its share of the cost of individual coverage under the City's medical and/or dental plan to a Retirement Health Savings (RHS) Plan, a non-taxable savings plan. The City contributes 50 percent of its cost of individual medical coverage and 100 percent of its cost of individual dental coverage to the RHS Plan. Employees may use monies contributed to the RHS Plan for eligible health, dental and long term care expenses not reimbursed through the employee's insurance.

f. **End of Coverage**

When an employee separates from City service, his/her medical and/or dental insurance coverage will end on the last day of the month following termination. See Section 901.7, COBRA for more information on continuation of coverage under the City's group plans.

For information on medical/dental insurance coverage at the time of retirement, please see Section 1000, Retirement Benefits.

901.3 Long-Term Care Insurance (Unum)

Long-term care is the assistance received when someone needs help with two or more activities of daily living – such as dressing, bathing, going to the bathroom, eating, or moving about – or when someone suffers a severe cognitive impairment. This care could be provided in the home, in an assisted living or residential care facility, or in a skilled nursing facility such as a nursing home. Long-term care insurance will assist the employee in paying these associated costs; it can help an employee preserve independence and financial security, and can help relieve the employee's family members of the burden of making decisions about how to pay for care.

Long-term care insurance base plan coverage is provided free of charge to all classified employees and classified management employees. Base plan coverage provides an employee with a maximum benefit of \$72,000 (\$2,000 per month for facility care for a period of three years; 50% coverage for home care). Employees also have the option of purchasing an inflation protection feature and/or increased levels of coverage and benefit duration for themselves and/or long-term care insurance coverage for their spouse/domestic partner at group rates; these costs are paid by the employee through payroll deduction during each payroll period. Other family members of the employee (parents, grandparents, siblings, children (18 or over), or the employee's spouse's/domestic partner's parents or grandparents) are eligible to apply for long-term care insurance coverage at group rates by submitting enrollment materials directly to the provider.

a. New Enrollments

New employees have up to 30 days to enroll in long-term care coverage. Employees who enroll in the basic plan, as well as employees who select additional benefits up to and including \$4,000 per month benefit amount and facility benefit duration of 3 or 6 years, are guaranteed issue of coverage and are not required to complete a medical questionnaire. Employees who enroll after 30 days, as well as those who choose to buy benefits over the guarantee issue limits (\$5,000 or \$6,000 per month benefit amount and/or unlimited facility benefit duration) will be required to complete a medical questionnaire and must be approved for coverage by the provider. An employee's spouse/domestic partner who is applying for long-term care insurance coverage must always complete a medical questionnaire and be approved for coverage by the provider.

b. Open Enrollment

Employees who do not initially enroll in long-term care coverage when they begin employment with the City, or employees who desire to make a change in their coverage, may do so during the annual open enrollment period. Open enrollment is conducted during the month of May each year, and all changes, transfers, etc., become effective at the beginning of the fiscal year.

Employees must complete a medical questionnaire and must be approved for coverage by the provider whenever a change in guaranteed issue coverage is requested.

c. Qualifying Event

An employee and/or his/her spouse/domestic partner may enroll or disenroll in long-term care coverage during the plan year if they experience a "qualifying event. For information on qualifying events, refer to the Medical/Dental insurance above.

d. End/Continuation of Coverage

Long-term care insurance coverage for the employee (and the employee's spouse/domestic partner) end on the employee's last day of employment. However, the employee and his/her spouse/domestic partner have the option of continuing long-term care insurance coverage under the City's group plan when the employee has separated from City employment. If the employee desires to continue coverage, he/she must assume the portion of the premium paid by the City. More information on continuing long-term care insurance coverage will be provided to the employee during the exit interview.

For information on long-term care insurance coverage at the time of retirement, please see Section 1000, Retirement Benefits.

901.4 Long-Term Disability Insurance

Long-term disability insurance is provided as a source of income protection for all classified employees and unclassified management employees if an employee is injured on or off the job. This coverage will provide the employee with up to 60 percent of his/her salary, up to a maximum of \$6,500 per month, beginning 90 days after the onset of disability; however, income received from third party payees, such as Social Security, Workers' Compensation, etc., may be an offset to long-term disability benefits. This is an employer taxable fringe benefit; therefore, any income an employee receives from long-term disability insurance is not taxed. An employee's long-term disability coverage is effective the first of the month following the employee's hire date.

Medical, dental, and life insurance benefits will be provided to the disabled employee on the same basis as an active employee. Long-term disability insurance benefits continue if an employee's active service ends due to a disability for which benefits under the policy are or may become payable. Premiums for the employee will be waived while disability benefits are payable. In the event the employee does not return to active service, this insurance ends when the disability ends or when benefits are no longer payable, whichever occurs first.

An employee that meets the definition of disabled is encouraged to apply for Family Medical Leave (FMLA). FMLA provides the employee job protection for up to twelve (12) weeks. At the expiration of FMLA, the employee has the right to, and shall be reinstated to, the position he/she vacated, if the position still exists; or, if not, to any other vacant position in the same class. An employee who is unable to, or who chooses not to, return to work at the expiration of his/her FMLA is subject to termination. (See Section 713, FMLA.)

A disabled employee, as outlined in the City's long-term disability policy that meets the City's criteria for retirement would continue to be provided the same benefits as a retiree.

An employee, as outlined in the City's long term disability policy, that does not meet the City's criteria for retirement would continue to be provided medical, dental, long term care and life insurance benefits on the same basis as an active employee, as long as the employee meets the long term disability policy's definition of disabled.

If an employee is unable to return to duty to perform the material duties of his/her position because of a physical or mental condition, including the continuation of a serious health condition, the City's obligations under the Americans with Disabilities Act (ADA) will govern.

Human Resources can assist any employee who wishes to apply for Long-Term Disability Benefits.

901.5 Life Insurance

Life insurance benefits are provided to all classified employees and unclassified management employees at no cost to the employee.

a. Basic Life & Accident Insurance (CIGNA)

In the event of the employee's death due to natural causes or accident, the employee's beneficiary will receive three times the employee's annual salary up to a maximum of \$350,000. In the event an employee suffers a severe bodily injury as a result of an accident, the employee's beneficiary will receive the maximum benefit, or portion thereof, depending on the injury sustained. If the employee's death or severe bodily injury is the result of an automobile accident and the employee is wearing a seatbelt, the employee's beneficiary will receive an additional benefit up to a maximum of ten (10) percent of the insured's benefit not to exceed ten thousand (\$10,000).

b. **Accidental Death & Dismemberment (CIGNA)**

In addition to the above policy, if an employee's death or severe bodily injury is due to an accident, the employee's beneficiary will receive four times the employee's annual salary up to a maximum of \$250,000. If the employee's death or severe bodily injury is the result of an automobile accident and the employee is wearing a seatbelt, the employee's beneficiary will receive an additional benefit up to a maximum of ten (10) percent of the insured's benefit not to exceed ten thousand (\$10,000).

901.6 Unemployment Insurance

Employees of the City may apply for Unemployment Insurance Benefits at the expiration of their employment. Rules and regulations regarding eligibility are available through the State of Maryland's Division of Unemployment Insurance.

901.7 COBRA

a. **General Guidelines**

The City of Gaithersburg adheres to all requirements of the Consolidated Omnibus Budget Reconciliation Act (COBRA) as they apply to City employees. The City is required to offer covered employees and covered family members the opportunity for a temporary extension of health coverage at group rates when coverage under the health plan (a medical and/or dental plan) would otherwise end due to certain qualifying events.

The covered employee may have the right to elect COBRA health plan continuation coverage if the employee loses his/her City of Gaithersburg sponsored group health coverage because of a termination of employment (for reasons other than the employee's gross misconduct) or a reduction in hours of employment.

The covered spouse of an employee may have the right to elect COBRA health plan continuation coverage if the spouse loses City of Gaithersburg sponsored group health coverage because of any of the following reasons:

1. Termination of the City of Gaithersburg employee's employment (for reasons other than gross misconduct) or reduction of the employee's hours of employment with the City of Gaithersburg.
2. Death of the City of Gaithersburg employee.
3. Divorce or, if applicable, legal separation from the employee.
4. The employee becomes entitled to Medicare.

The covered dependent child of an employee may have the right to elect COBRA health plan continuation coverage if the dependent child loses City of Gaithersburg sponsored group health coverage because of any of the following reasons:

1. Termination of the employee's employment (for reasons other than gross misconduct) or reduction of the employee's hours of employment with the City of Gaithersburg.
2. Death of the employee of the City of Gaithersburg.
3. Parents' divorce or, if applicable, legal separation.
4. The City of Gaithersburg employee becomes entitled to Medicare.
5. The dependent ceases to be a "dependent child" under the terms of the health plan.

b. **Employee, Spouse & Dependent Notifications Required**

In accordance with federal law, the employee, spouse, or other family member has the responsibility to notify the City of Gaithersburg Human Resources Department of a divorce, legal separation, or a child losing dependent status while covered by a City of Gaithersburg sponsored group health plan. This notification must be made within 60 days from whichever date is later, the date of the event or the date on which health plan coverage will be lost, under the terms of the insurance contract because of the event.

This notification must be made **in writing** and include the following information: the name of the covered employee, the name of the covered dependent, the plan affected, a description of the event, and the date of the event. Verifying documentation must accompany the notification, such as HIPPA certificate from another employer, or the fact page of a divorce or separation decree.

If this notification is not completed according to the above procedures and within the required 60-day notification period, then rights to continuation coverage will be forfeited. Employees should carefully read the dependent eligibility rules contained in their provider booklet so they are familiar with when a dependent ceases to be a dependent under the terms of the plan. The City of Gaithersburg will notify the City's sponsored health plan of the employee's termination of employment, reduction in hours, or death.

c. **Election Period and Coverage**

Once the City of Gaithersburg Human Resources Department has received notice a qualifying event has occurred, the Human Resources Department will notify covered individuals (also known as qualified beneficiaries) of their rights to elect continuation coverage. Each qualified beneficiary has independent COBRA election rights and will have 60 days to elect continuation coverage. The 60-day election window is measured from the later of the date health plan coverage is lost due to the event or from the date of COBRA notification. **This is the maximum period allowed to elect COBRA, as the plan does not provide an extension of the election period beyond what is required by law.** If a qualified beneficiary does not elect continuation coverage within this election period, then rights to continue health insurance will end and they will cease to be a qualified beneficiary.

If a qualified beneficiary elects continuation coverage, they will be required to pay the entire cost for the medical and/or dental insurance. The City of Gaithersburg is required to provide the qualified beneficiary with coverage that is identical to the coverage provided under the plan to similarly situated non COBRA participants and/or covered dependents. Should coverage change or be modified for non COBRA participants, then the change and/or modification will be made to their coverage as well.

d. **Length of Continuation Coverage – 18 Months.**

If the event causing the loss of coverage is a termination of employment (other than for reasons of gross misconduct) or a reduction in work hours, then each qualified beneficiary will have the opportunity to continue coverage for 18 months from the date of the qualifying event.

e. **Social Security Disability**

The 18 months of continuation coverage can be extended for an additional 11 months of coverage, to a maximum of 29 months, for all qualified beneficiaries if the Social Security Administration determines a qualified beneficiary was disabled according to Title II or XVI of the Social Security Act on the date of the qualifying event or at any time during the first 60 days of continuation coverage. In the case of a newborn or adopted child that is added to a covered employee's COBRA coverage, then the first 60 days of continuation coverage for the newborn or adopted child is measured from the date of the birth or the date of the adoption. It is the qualified beneficiary's responsibility to obtain this disability determination from the Social Security Administration **and provide a copy of the determination to the City of Gaithersburg Human Resources Department within 60 days after the date of** determination and before the original 18 months expire.

This extension applies separately to each qualified beneficiary. If the disabled qualified beneficiary chooses not to continue coverage, all other qualified beneficiaries are still eligible for the extension. If coverage is extended, and the disabled qualified beneficiary has elected the extension, the applicable premium rate is 150 percent of the premium rate. If only the non-disabled qualified beneficiaries extend coverage, the premium rate will remain at the 100 percent level. It is also the qualified beneficiary's responsibility to notify the City of Gaithersburg Human Resources Department within 30 days if a final determination has been made that they are no longer disabled.

f. **Secondary Events**

Another extension of the 18 month continuation period can occur, if during the 18 months of continuation coverage, a second event takes place (divorce, legal separation, death, Medicare entitlement, or a dependent child ceasing to be a dependent). If a second event occurs, then the original 18 months of continuation coverage can be extended to 36 months from the date of the original qualifying event date for eligible dependent qualified beneficiaries. If a second event occurs, it is the qualified beneficiary's responsibility to notify the City of Gaithersburg Human Resources Department in writing within 60 days of the second event within the original 18 month COBRA timeline. In no event, however, will continuation coverage last beyond three years from the date of the event that originally made the qualified beneficiary eligible for continuation coverage. A reduction in hours followed by a termination of employment is not considered a second event for COBRA purposes.

g. **Length of Continuation Coverage – 36 Months**

If the original event causing the loss of coverage was the death of the employee, divorce, legal separation, Medicare entitlement, or a dependent child ceasing to be a dependent child under a City of Gaithersburg sponsored group health plan then each qualified beneficiary will have the opportunity to continue coverage for 36 months from the date of the qualifying event.

h. **Eligibility, Premiums, and Potential Conversion Rights**

A qualified beneficiary does not have to show they are insurable to elect continuation coverage; however, they must have been actually covered by the plan to be eligible for COBRA continuation coverage. An exception to this rule is if while on continuation coverage a baby is born or adopted by a covered employee qualified beneficiary. If this occurs, the newborn or adopted child can be added to the plan and will gain the rights of all other qualified beneficiaries. The COBRA timeline for the newborn or adopted child is measured from the date of the original qualifying event. Procedures and timelines for adding these individuals can be found in the employee's benefits booklet and must be followed. The City of Gaithersburg Human Resources Department reserves the right to verify COBRA eligibility status and terminate continuation coverage retroactively if the employee is determined to be ineligible or if there has been a material misrepresentation of the facts.

A qualified beneficiary will have to pay the entire applicable premium for continuation coverage. These premiums will be adjusted in the future if the applicable premium amount changes. In addition, if continuation coverage is extended from 18 to 29 months due to a Social Security disability, the City of Gaithersburg can charge up to 150 percent of the applicable premium during the extended coverage period. Qualified beneficiaries will be allowed to pay on a monthly basis. In addition there will be a maximum grace period of thirty (30) days for the regularly scheduled monthly premiums. At the end of the 18 months or three years of continuation coverage, a qualified beneficiary must be allowed to enroll in an individual conversion health plan **if an individual conversion plan is available at that time.**

i. **Cancellation of Continuation Coverage**

The law provides COBRA continuation coverage **will end prior** to the maximum continuation period for any of the following reasons:

1. City of Gaithersburg ceases to provide any group health plan to any of its employees.
2. Any required premium for continuation coverage is not paid in a timely manner.

3. A qualified beneficiary first becomes, after the date of COBRA election, covered under another group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition of such beneficiary other than such an exclusion or limitation which does not apply to or is satisfied by such beneficiary by reason of the Health Insurance Portability and Accountability Act of 1996.

4. A qualified beneficiary first becomes, after the date of COBRA election, entitled to Medicare.

5. A qualified beneficiary extended continuation coverage to 29 months due to a Social Security disability and a final determination has been made that the qualified beneficiary is no longer disabled.

6. A qualified beneficiary notifies the City of Gaithersburg Human Resources Department they wish to cancel COBRA continuation coverage.

7. For cause, on the same basis that the plan terminates the coverage of similarly situated non-COBRA participants.

j. **Notification of Address Change**

To insure all covered individuals receive information in a timely manner, it is important that the employee promptly notifies the City of Gaithersburg Human Resources Department of any address change as soon as possible. Failure on the employee's part to do so will result in delayed COBRA notifications or a loss of continuation coverage options.

Section 902. Retirement Plans

Classified employees and unclassified management employees are eligible to enroll in all City of Gaithersburg retirement plans immediately upon hire. The City's retirement benefits administrator is ICMA-RC (International City/County Management Association-Retirement Corporation), which manages and administers retirement plans exclusively for the benefit of public sector employers and employees. For information on the Retirement Plans offered, see Section 1013, Retirement Plans.

Section 903. Other Fringe Benefits

903.1 Flexible Spending Accounts (HFS Benefits)

Flexible Spending Accounts allow classified employees and unclassified management employees to pay for certain health, dental and dependent care expenses with pre-taxed dollars, which means that taxable earnings are reduced so the employee pays less taxes on earnings, thereby increasing take home pay. The maximum amount that can be set aside for health care expenses per calendar year is \$3,000; and the maximum that can be set aside per calendar year for dependent care is \$5,000. Employees wishing to participate in either of these plans must enroll/reenroll each January 1. The City of Gaithersburg pays all administrative costs.

903.2 Employee Assistance Program (APS Healthcare)

The City provides the Employee Assistance Program (EAP) as a free, simple, and confidential means for an employee and his/her family to deal with personal problems and sources of work/life stress. The EAP provides short-term professional, confidential counseling for employees and their family members at no out-of-pocket expense to the employee. The employee and each of his/her dependents may receive up to six free counseling sessions. If an issue requires referral to other resources, the EAP professional will work with the individual to identify the most appropriate and affordable resources to help meet the individual's needs.

To speak with an EAP professional or to schedule an appointment, an employee should call 800-765-0770 and indicate he/she is a City of Gaithersburg employee. EAP services are available 24 hours a day, seven days a week. The EAP program is strictly confidential. The City pays the EAP provider base

on the number of employees and does not receive any information regarding the names of the employees contacting the EAP.

903.3 GFit Wellness Program

The GFit Employee Wellness Program is a healthy lifestyle incentive program dedicated to educating, motivating, and empowering classified employees and unclassified management employees to take an active role in preserving their good health and improving their overall quality of life. By providing employees with quarterly reimbursement for eligible expenses, the City of Gaithersburg is committed to improving the health status of its employees. Expenses for spouses or other dependents are not reimbursable through this Program.

a. Reimbursable Amount

Through the GFit Program, employees may be reimbursed up to a maximum of \$35 per month for eligible expenses related to health and wellness activities that contribute to their improved fitness, health and well-being. Expenses for spouses or other dependents are not reimbursable through this Program.

b. Eligible Expenses

Eligible expenses include, but are not limited to:

- ♦ Fitness Center/Gym Membership
- ♦ Personal Trainer Fees
- ♦ Sports League Registration Fees (e.g., softball, basketball, bowling)
- ♦ Lesson/Class Fees (e.g., dancing, swimming, golf, aerobics, yoga)
- ♦ Managed Weight Loss Programs* (e.g., Jenny Craig, Weight Watchers)
- ♦ Managed Smoking Cessation Programs (e.g., hospital sponsored)
- ♦ Nutritionist Advice Fees

*Weight Loss supplements are not eligible.

Items reimbursed through an employee's Flexible Spending Account are not eligible for reimbursement through the GFit Program. Contact the Human Resources Department to determine if a health or wellness activity not mentioned above will be eligible for reimbursement prior to submitting a request for reimbursement.

c. Procedure for Reimbursement

1. Employee pays the fee for the activity (membership, class, program, etc.), directly to the provider.

2. Employee arranges for the provider to furnish him/her with a receipt or statement which verifies his/her participation in the eligible program. The statement must include employee's name, must indicate that the employee is/was a participant in the program, and must provide a detailed proof of payment (itemized receipt, credit card statement, contract, etc.). **It is the employee's responsibility to arrange with the provider to provide "proof of participation."**

3. Employee must complete a GFit Program Claim Form, attach all receipts/participation statements, and return to the Human Resources Department by the due date. Requests for reimbursement may only be submitted quarterly, and are due to Human Resources no later than:

- October 15th (July/August/September)
- January 15th (October/November/December)
- April 15th (January/February/March)
- July 15th (April/May/June)

Absolutely no late submissions will be accepted - no exceptions!

4. Costs will be reimbursed to the employee in his/her paycheck as soon as possible after reimbursement request is submitted (maximum of \$105 per quarter).

Note that all reimbursements will be considered taxable income, so when possible, it is more advantageous to use monies set aside in Flexible Spending Accounts (FSA) to pay for eligible health and wellness expenses, since using FSA allows payment of expenses with pre-tax dollars, reducing taxable earnings and increasing take home pay.

903.4 Housing Stipend Program

To encourage municipal employees to live in the jurisdiction they serve, income qualified classified employees and unclassified management employees may receive a housing stipend to assist in the costs of rent or mortgage payments.

Employees are eligible for the program immediately upon hire. To be eligible, the employee must reside within the corporate limits of Gaithersburg and be a signer or co-signer on the lease or mortgage for the residence; and the total household gross income for all members of the household aged 18 and over, regardless of relationship to employee, must meet the income limits shown below:

a. Employees whose total household income is at or below 80 percent of Area Median Income (AMI) for the Washington Metropolitan Area as determined by the Department of Housing and Urban Development (HUD) on an annual basis shall be entitled to a monthly housing stipend of \$300 a month.

Maximum Income Based on Household Size*

1 person household:	\$57,512
2 person household:	\$65,728
3 person household:	\$73,944
4 person household:	\$82,160
5 person household (or more):	\$88,733

b. Employees whose total household income is between 80 percent and 120 percent of AMI as determined by the HUD on an annual basis shall be entitled to a monthly housing stipend of \$200 a month.

Maximum Income Based on Household Size*

1 person household:	\$86,268
2 person household:	\$98,592
3 person household:	\$110,916
4 person household:	\$123,240
5 person household (or more):	\$133,099

**Adjusted annually; income limits shown are for period of May 2009 – April 2010*

Total household gross income is defined as income from all sources including but not limited to full-time employment, part-time employment, alimony, child support, disability, and social security/retirement benefits. ~~The stipend is not available to employees who reside in City-owned housing.~~ (January 1, 2010)

Eligible employees may apply for this program at any time by completing the Housing Stipend Application Form and submitting it to the Human Resources Department. Once approved, the employee will continue to receive the stipend until renewal and recertification is required (on April 15 of each year when updated HUD AMI data is available). At the time application is made or renewed, the employee is required to submit the following documentation for each member of the household aged 18 and over, regardless of relationship to the employee, to verify residency and the total household gross income:

- a. Copy of lease or mortgage signed or co-signed by the employee;
- b. Copy of prior year Federal tax return;
- c. Copy of prior year W-2 Form;

- d. Copy of proof of any other supplemental income not reported on Federal tax return or W-2 Form.

Failure to submit the required documentation will result in the employee being ineligible for the housing stipend.

Employees approved for the housing stipend will receive payment of the stipend with the first paycheck of each month. Employees will not receive any retirement plan employer contributions on the stipend payment. IRS regulations require the City to treat this stipend as taxable income which will be reported on the employee's year-end W-2.

Any employee who knowingly submits inaccurate or incomplete financial data in connection with applying for or obtaining a housing stipend, or knowingly receives a housing stipend he/she is not entitled to shall be required to reimburse the City for all monies received to which they were not entitled and will be subject to disciplinary action.

Pursuant to Mayor and City Council Resolution No. 91-08, this program was effective on October 1, 2008, and will terminate on September 30, 2010, unless the City Council authorizes the City Manager to continue the program.

903.5 Personal Cell Phone Program

Classified employees and unclassified management employees are eligible to receive discounted equipment and service plan rates and are eligible to purchase up to two personal cell phones through under this program, offered to government employees through AT&T's government cell phone plan. Under this program, Participating employees are not required to sign a contract, may change service plans without penalty, and are not assessed administrative costs, such as activation or termination fees. Costs of the phones and monthly service plan fees are paid by the employee through payroll deduction directly to the service provider. Cell phone plans and equipment lists are Additional information is available from the Human Resources Department. *(February 22, 2010)*

903.6 Uniforms

Uniforms are provided at no cost to all City employees who are required to wear uniforms as part of their normal job duties.

903.7 Direct Deposit

The City encourages employees to have their paychecks processed through a direct deposit agreement with their designated financial institution(s). Employees must complete a Direct Deposit Enrollment Form and submit it to Human Resources to enroll in direct deposit and to make changes to financial institution and/or account information. The direct deposit paycheck is posted at the employee's designated financial institution(s) the same day that non-direct deposit paychecks are issued.

903.8 Credit Union

Classified employees and classified management employees have the option of participating in the Montgomery County Employees Federal Credit Union (MCEFCU), a member-owned, not-for-profit financial institution dedicated to serving Montgomery County government employees, local employee groups, and their families.

MCEFCU has two locations:

Germantown Headquarters
19785 Crystal Rock Drive
Suite 201
Germantown, MD 20874
301-279-1964

Rockville Branch
20 Courthouse Square
Suite 101
Rockville, MD 20850
301-279-1964

Enrollment information is available from the Human Resources Department. More information about the MCEFCU can be found at <http://www.mcefcuhb.org/index.html>.

903.9 Employee Recreational & Leisure Opportunities

Classified employees, classified management employees, as well as retirees from the City, their dependents (under the age of 22) and/or family members residing year-round at the same address as the employee or retiree receive a complimentary individual membership to all City recreation facilities. Fees for all other membership plans are 50 percent off the applicable resident rate.

Employees hired to work on a part-time basis, working at least 25 hours per week on a consistent schedule on a continuing year-round basis may purchase an individual membership at City recreation facilities at 50 percent off the resident rate. A complimentary individual membership will be granted to the employee after one year of employment.

City identification must be presented in order for employees or retirees to be eligible for these opportunities. More information is available on the Recreation & Leisure Opportunities for City of Gaithersburg Employees brochure.

903.10 Microsoft Home Use Program

Classified employees and unclassified management employees are eligible to participate in Microsoft's Home Use Program (HUP). This program enables an employee to get a licensed copy of most Microsoft Office desktop PC applications to install and use on his/her home computer. Due to the limited number of licenses available, classified employees and unclassified management employees' participation is on a first come, first served basis.

Under the Home Use Program, classified employees and unclassified management employees who are users of Microsoft Office Enterprise 2003 may purchase and acquire a licensed copy of Microsoft Office Enterprise 2007 software to install and use on a home computer at a cost of \$19.95 (plus tax and any other applicable charges). Employees may continue using Microsoft Office Enterprise 2007 while they are under employment with the City of Gaithersburg.

Classified employees and unclassified management employees interested in purchasing the software must contact the Human Resources Department for further information.

Section 904. Fringe Benefits for Mayor & City Council Members

The Mayor and members of the City Council may elect to join or become members of any group medical or dental plan offered to eligible employees of the City on an individual or family plan basis provided that the subscriber pays the full cost of coverage without contribution or reimbursement from the City. The City may pay or contribute to the cost of any other insurance benefit plans for the Mayor and members of the City Council as determined by resolution of the City Council.

The Mayor and members of City Council who leave City service may continue medical, dental, and/or other insurance benefits through the City's group plans provided they are eligible therefore and provided they have served as Mayor and/or member of the City Council for a cumulative total of eight (8) years prior to leaving City service.

Section 905. Domestic Partner Benefits

The City of Gaithersburg prohibits discrimination on the basis of sexual orientation. Therefore, the City has determined it is appropriate to include a same gender domestic partner, and his or her dependents, in the definition of immediate family and eligible dependent for use of leave and entitlement to health related benefits.

a. Eligibility

To be eligible for domestic partner benefits, the classified employee or unclassified management employee and his/her domestic partner must sign an Affidavit of Domestic Partnership, in

the presence of a notary public, under penalty of perjury, declaring that all of the standards required by the City for the establishment of a domestic partnership have been satisfied as follows:

1. The employee and his/her domestic partner are members of the same gender.
2. The employee and his/her domestic partner have a committed relationship, plan to remain together indefinitely, and are responsible for each other's welfare.
3. The employee and his/her domestic partner have shared the same legal residence for at least twelve (12) months and are responsible for contributing financially or otherwise to the relationship.
4. The employee and his/her domestic partner are at least eighteen (18) years of age.
5. The employee and his/her domestic partner have voluntarily consented to the relationship, without fraud or duress.
6. Neither the employee nor his/her domestic partner is married to, or is in a domestic partnership with, any other person.
7. The employee and his/her domestic partner are not related by blood or affinity in a way that would disqualify them from marriage under State law if the employee and his/her domestic partner were members of the opposite gender.
8. The employee and his/her domestic partner are legally competent to contract.
9. The employee and his/her domestic partner share sufficient financial and legal obligations. This must be evidenced by copies of at least two (2) of the following documents:
 - (a) A joint housing lease, mortgage, or deed.
 - (b) Joint ownership of a motor vehicle.
 - (c) A joint checking or credit account.
 - (d) Designation of the domestic partner as a primary beneficiary receiving at least 50 percent of the other partner's life insurance, retirement benefits, or residuary estate under a will.
 - (e) Designation of the domestic partner as holding a durable power of attorney for health care decisions regarding the other domestic partner.

All affidavit information will be held confidential and only disclosed to the extent necessary to provide and administer benefits, or as authorized by the employee or domestic partner, or to the extent required by law.

b. **Eligible Benefits**

Any benefit that the City provides for a classified employee or unclassified management employee's spouse or for the dependents of an employee's spouse, will be provided, in the same manner and to the same extent, for the domestic partner of a City employee, and for the dependents of a City employee's domestic partner, respectively, including benefits equivalent to those provided under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), the Family and Medical Leave Act of 1993, and other federal laws. However, because of the provisions of federal tax law, the receipt of these benefits may have tax or other financial implications for the City employee.

If neither the employee's domestic partner, nor the domestic partner's dependents, qualify under federal tax law as the employee's legal tax dependents, however, the employee will not be eligible

to receive reimbursements from the employee's Flexible Spending Account or Dependent Care Reimbursement Account for expenses incurred by them or on their behalf.

c. **Enrollment**

Once the employee has filed the Affidavit of Domestic Partnership with the City's Human Resources Director, the employee will need to do the following in order to enroll his/her domestic partner and his/her partner's eligible dependents under the City's group health, dental, and/or long-term care insurance plans:

1. For initial enrollment, complete all enrollment materials required by the health, dental, and/or long-term care insurance plans that the employee has selected. These materials may consist of the following:

(a) A benefit enrollment form, if the employee is changing his/her level of coverage due to the addition of his/her domestic partner and his/her partner's eligible dependents.

(b) A dependent information form, if the employee is adding his/her domestic partner and his/her partner's eligible dependents. Please note that the insurance companies may also require proof of eligibility, such as birth certificate, in order to add coverage for the employee's partner's eligible dependents.

All forms must be received by the Human Resources Department within thirty (30) days of employment or the occurrence of a qualifying event that first permits the employee to enroll his/her domestic partner and/or his/her partner's eligible dependents. Otherwise, the employee will have to wait until the next open enrollment period to add his/her domestic partner and/or his/her partner's eligible dependents.

2. For re-enrollment every plan year, the employee will need to provide any additional evidence of his/her domestic partnership during the annual open enrollment process, unless he/she is making changes in the coverage he/she has selected.

d. **Taxes**

Internal Revenue Service regulations require different tax treatment for group insurance costs associated with domestic partner coverage in cases where the domestic partner does not qualify as a tax dependent under the Internal Revenue Code. In determining the tax effects of domestic partner coverage, the City will assume that neither the domestic partner, nor the domestic partner's eligible dependents, qualify as the employee's tax dependents, unless the employee is able to provide documentation to the contrary.

For each group insurance plan to which the employee adds his/her domestic partner and his/her partner's eligible dependents:

1. The employee will be responsible for paying the difference between his/her share of the premium cost for single coverage and his/her share of the premium cost for the coverage level that includes the addition of the employee's domestic partner and the partner's eligible dependents.

2. The portion of the employee's total premium cost that is attributable to his/her individual coverage (and coverage for any of the employee's own tax-qualified dependents) will continue to be deducted from the employee's paycheck, before taxes. However, the portion of the employee's total premium cost that is attributable to covering the domestic partner and/or the partner's eligible dependents will be deducted from the employee's paycheck after taxes.

3. The amount that the City contributes towards the cost of covering the employee's domestic partner and the partner's eligible dependents under the City's group health insurance and/or dental insurance plans will be considered as taxable compensation that has been provided to the employee. Under a concept known as "imputed income," the employee will be treated as if the City has

paid the employee an additional amount of cash on which the employee was taxed, which the employee uses to purchase the coverage for his/her domestic partner and the partner's eligible dependents. This means that the value of the City's contribution will be taxed and subject to income tax withholding, Social Security taxes, and unemployment taxes. As a result, the employee may want to increase the existing amount of withholding that is applied to his/her paychecks, so that enough money is withheld from each of his/her paychecks to pay the taxes due on all of his/her compensation -- both the cash that he/she receives as well as the value of the City's contribution for covering his/her domestic partner and the partner's eligible dependents.

See attachment regarding tax implications for examples of how adding a domestic partner and/or the partner's dependents to the City's group health plan will change an employee's paycheck and tax situation.

For retired employees who pay their portion of group health and/or dental insurance costs with after-tax deductions from their retirement check, the addition of a domestic partner and the partner's eligible dependents to those group insurance plans will not affect the amount of premiums deducted from the check but will have only the imputed income effect described above.

The summary of tax consequences described above is meant only to address some of the questions that an employee might have about the tax implications of domestic partner health and dental benefits. It is not, nor is it intended to be, exhaustive or exclusive. In the event that this material conflicts with local, state, or federal law, the language of the local, state, or federal law will be the final authority. An employee should contact his/her tax preparer so that he/she fully understands how he/she may be specifically impacted by the receipt of these domestic partner benefits.

e. **Dissolution of Domestic Partnership**

Should the employee's relationship with his/her domestic partner end, or should the employee no longer meet the domestic partnership requirements, then the domestic partner and the partner's eligible dependents will no longer be eligible for coverage under the City of Gaithersburg's group health, dental, and long-term care insurance plans. The employee must notify the Human Resources Department within thirty (30) days of the termination event by completing an Affidavit of Dissolution of Domestic Partnership. In such cases, benefits will terminate or continue for the domestic partner and the partner's eligible dependents to the same extent that they would for a former spouse, or for the eligible dependents of a former spouse, under similar circumstances (for example, under COBRA).